

Message Text

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41

ACTION TRSE-00

INFO OCT-01 EUR-25 ADP-00 SS-15 L-03 NSC-10 CIAE-00 INR-10

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R 061535 Z APR 73

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 8362

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS UNN

UNCLAS VIENNA 2830

PASS TREASURY, FRB

E. O. 11652: N/ A

TAGS: EFIN, AU

SUBJECT: AUSTRIAN NATIONAL BANK PRESIDENT COMMENTS ON LIQUIDITY
RELEASE

REF: VIENNA 2308

SUMMARY: AT ECONOMIC POLICY MEETING OF WAGE/ PRICE COMMISSION
ON APRIL 4, AUSTRIAN NATIONAL BANK (ANB) PRESIDENT KLOSS SAID
RECENT ANB UNBLOCKING OF AS3.3 BILLION BANK LIQUIDITY DOES NOT
MEAN CHANGE IN ANB' S RESTRICTIVE CREDITY POLICY COURSE AIMED
AT REDUCTION ANNUAL RATE OF CREDITY EXPANSION TO 12 PERCENT
THROUGH 12- MONTH PERIOD ENDING NOVEMBER 1973. HE ALSO REPORTED
ON THE SITUATION REGARDING SCHILLING PARITIES AT PRESENT.
END SUMMARY.

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1. KLOSS STATED THAT " WITH ESTIMATED 5.5 PERCENT REAL ECONOMIC GROWTH IN 1973, UNABATED OVEREMPLOYEMENT, AND ANTICIPATED AVERAGE RISE IN PRICE LEVELS BY AT LEAST 7.5 PERCENT THIS YEAR, REGAINING REASONABLE DEGREE OF STABILITY ENJOYS PRIORITY AMONG ECONOMIC POLICY TARGETS. FOR MONETARY POLICY THIS MEANS THAT CONTINUATION OF RESTRICTIVE POLICY IS NECESSARY FOR THE TIME BEING. IN THIS CONNECTION IT SHOULD BE POINTED OUT CLEARLY," KLOSS CONTINUED, " THAT RECENT ANB MEASURES UNBLOCKING ABOUT AS3.3 BILLION BANK LIQUIDITY ARE NOT IN CONTRADICTION TO REQUIRED RESTRICTIVE COURSE. MEASURES WERE BASED ON FACT THAT IN PERIOD DECEMBER 1972 THROUGH FEBRUARY 1973 BANKS HAD COMPLIED WITH ANB' S INTENTION TO SLOW DOWN CREDITY EXPANSION OVER 12 MONTHS ENDING NOVEMBER 1973 TO 12 PERCENT ABOVE THE LEVEL OF NOVEMBER 30, 1972. BANKS COMPLIANCE WAS PARALLELED BY SEVERE TIGHTENING OF BANK LIQUIDITY, ACCOMPANIED BY HIKES IN MONEY RATES UP TO 9 PERCENT AND MORE, WHICH SIMULTANEOUSLY AFFECTED LONG- TERM BOND MARKET. THIS PROMPTED ANB TO UNBLOCK PORTION OF LIQUIDITY IN ORDER TO CHANNEL SOME OF IT BACK INTO THE MONEY MARKET AND RELIEVE BOND MARKET, BOTH IN A WAY, HOWEVER, WHICH WOULD NOT JEOPARDIZE THE DESIRED SLOW- DOWN OF CREDITY EXPANSION. AUSTRIAN CREDIT SYSTEM EXPLICITLY DECLARED IN THIS CONNECTION", " KLOSS MAINTAINED, " IT DOES NOT CONSIDER ANB PROCEDURE AS CHANGING THE OBLIGATIONS ASSUMED WITHIN THE FRAMEWORK OF STABILIZATION AGREEMENT. CURTAILMENT OF DOMESTIC VOLUME OF BOND FLOTATIONS IN 1973, EFFECTED IN ACCORDANCE WITH LIMITED RECEPTIVENESS OF MARKET, CONSTITUTES PARALLEL TO REDUCTION OF EXPANSION RATE OF COMMERCIAL CREDITY VOLUME," KLOSS CONCLUDED.

2. DEALING WITH ASPECTS OF ANB EXCHANGE RATE POLICY IN RECENT WEEKS, KLOSS SAID POLICY' S AIM WAS AT NEUTRALIZING TO EXTENT POSSIBLE IMPORTATION OF INFLATION. SINCE EUROPEAN CURRENCIES, INCLUDING THOSE OF AUSTRIA' S MAJOR TRADING PARTNERS, HAVE TURNED OUT TO BE STRONGER THAN THE DOLLAR IN RECENT YEARS, THE DOLLAR RATE ON THE VIENNA MARKET IS COMPUTED ON THE BASIS OF DOLLAR QUOTATIONS ON WESTERN EUROPEAN EXCHANGES, USING A SPECIAL WEIGHTING SYSTEM TIED TO AUSTRIA' S FOREIGN TRADE. THUS, SINCE MARCH 29, 1973, AUSTRIA, THOUGH NOT FORMALLY OBLIGED TO DO SO, BASICALLY ADHERES TO THE SYSTEM OF NARROWER BANDS APPLIED TO THE CURRENCIES INCLUDED UNDER THE EC BLOC FLOAT. HENCE QUOTATIONS ON VIENNA MARKET OF ABOVE CURRENCIES ARE NOT DEVIATING FROM MEDIAN RATES BY MORE THAN 2.25 PERCENT.

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3. AFTER THE REOPENING OF EXCHANGE MARKETS, THERE OCCURRED

AN AVERAGE REVALUATION EFFECT OF THE D- MARK VIS- A- VIS THE AUSTRIAN SCHILLING OF 0.7 PERCENT COMPARED TO THE LEVEL RECORDED THE LAST DAY BEFORE DEVALUATION OF DOLLAR. THIS APPROXIMATELY CORRESPONDS TO THE DIFFERENCE IN THE REVALUATION RATES OF THE D- MARK AND THE SCHILLING BY 3 PERCENT AND 2.25 PERCENT, RESPECTIVELY, KLOSS DECLARED.

4. COMMENT: IN A CALL ON PRES KLOSS ON APRIL 3, AMBASSADOR GOT CLEAR IMPRESSION THAT AUSTRIANS PLAN NO MAJOR CHANGES IN CONTROLS ON CAPITAL INFLOWS INTRODUCED LAST NOVEMBER. UNDER ORIGINAL TERMS, CONTROLS WERE SUPPOSED TO BE MAINTAINED UP TO MAY 31, 1973. HUMES

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